



**A Report to the
Audit Committee**

Mayor
John Cooper

**Presiding Judge of the
20th Judicial District**
Judge Joe P. Binkley, Jr.

Criminal Court, Division IV
Judge Jennifer L. Smith

Audit Committee Members
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Metropolitan
Nashville
Office of
Internal Audit

Audit of the Drug Court of Metropolitan Nashville and Davidson County

February 20, 2020

Audit of the Drug Court of Metropolitan Nashville and Davidson County

EXECUTIVE SUMMARY

February 20, 2020



Why We Did This Audit

Incoming Criminal Court, Division IV, Judge Jennifer Smith, who is also the Presiding Judge of the Drug Court, requested this transition audit to review the finances and operations of the Drug Court.

What We Recommend

- Reevaluate and enforce the policies and procedures in the client record management process.
- Establish controls around offender program fees, wood working revenue collections, and fuel card purchases.
- Tighten controls over local sales tax exemptions and records retention.
- Leverage technology in leave time management and payroll processing.

BACKGROUND

The mission of the Drug Court of Metropolitan Nashville and Davidson County ("Drug Court") is to provide a quality treatment program that will enable positive changes in criminal and addictive behaviors with the purpose of successfully reintegrating offenders into society. The Drug Court program is a diversionary program that provides for the supervision of non-violent offenders with substance abuse problems combined with intensive treatment and other integrated services. The program offers comprehensive treatment services such as an inpatient long-term treatment, an intensive outpatient program, a mental health dual-diagnosis program, and many more. The Drug Court program is a voluntary program, but the Drug Court will not accept an individual unless the District Attorney General or sentencing Judge in the county of conviction agree to the placement.

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Drug court offender cases are monitored, tracked, and managed to ensure the mission of the Drug Court program is achieved.
- Fiscal resources are properly accounted for and managed. This includes:
 - court fees and offender program fees,
 - resident spending money and petty cash,
 - expenditures and credit card purchases,
 - payroll and leave time.

The scope of this audit included all activity from July 1, 2016, to June 30, 2019.

WHAT WE FOUND

The Drug Court has controls in place to ensure most fiscal resources are recorded and managed appropriately. There are policies and procedures in place to ensure resident cases are managed and status is tracked.

However, some case management files lacked required signatures. Additionally, wood shop revenues were deposited into the petty cash fund for internal use on items disallowed by the Metropolitan Nashville Procurement Code. Fuel purchases were not being monitored regularly, and money orders were not being deposited timely. Payroll and leave balances were manually maintained, which resulted in leave time and payroll payment errors.

GOVERNANCE

The Drug Court of Metropolitan Nashville and Davidson County (“Drug Court”) was created in 1997. At that time, the operations were fully funded through grants. However, the ‘Drug Court Treatment Act of 2003’ enacted by Tennessee Code Annotated, Title 16, Chapter 22, established additional non-grant, long term, funding sources for the Drug Court.

The Drug Court falls under the purview of the State Trial Courts, with a Presiding Judge appointed to oversee the court operations. A program director oversees the operation of the Drug Court’s treatment program and is under the direct supervision of the Drug Court’s Presiding Judge.

BACKGROUND INFORMATION

The Drug Court was created in 1997 to combat the lack of treatment for chemically dependent offenders. It is a multi-structure complex with an onsite residential treatment facility, administrative area, and community service building. The structure houses a total of about 90 residents. At the time of the audit, there were approximately 26 female residents and 42 male residents onsite, with 35 program participants living offsite as part of the aftercare phase.

Drug Court Treatment Program

Program participants are referred to the program by the Public Defender’s Office, a private defense attorney, or upon successful completion of an in-jail treatment program. All eligible referrals are assessed by the Drug Court Assessment Team to determine the appropriateness of the Drug Court program. If placement is deemed appropriate, a recommendation is made to the court to admit the offender into the appointed program.

The Drug Court program has several phases. Phase I, Assessment and Orientation, has residents in the facility at all times. A treatment plan is developed, and residents are drug tested on a random basis. During Phase II, Stabilization and Rehabilitation, residents have a work treatment plan bundled with a wide range of services. In Phase III, Re-entry and Employment, residents develop an initial aftercare plan with the counselor, begin employment or vocational training, and maintain educational pursuits. Phases I, II, and III are all a minimum of 12 weeks. Upon successful completion of the three-phase program, residents graduate to Aftercare. Aftercare is the transition period for residents re-integrated into the community. The last phase, Intensive Outpatient Treatment, lasts for 12 months. During this phase, residents are required to report for group treatment two to four days per week and maintain full-time employment.

Drug Court Program Funding and Expenses

The Drug Court program is primarily grant funded. Additionally, the Drug Court Treatment Act of 2003 requires the clerks of all general sessions, circuit, and criminal courts, as well as municipal courts exercising the jurisdiction of courts of general sessions, to collect a \$75 fee per person on any offense under *Tennessee Code Annotated, Title 39, Chapter 17, Part 4, the Tennessee Drug Control Act*. This fee is for the explicit purpose of funding part of the Drug Court operations. The fee amount is collected by the Criminal Court Clerk and placed in the Drug Court’s account.

The Drug Court also collects a total of 66% of Phase III resident’s net paycheck when they work outside the program. The collected funds are divided three ways, (a) 33% to reimburse the Drug Court for part of the cost incurred during the program, (b) 22% to cover court fees, and (c) 11% to reimburse the

Nashville Drug Court Support Foundation for services provided. Exhibit A lists the Drug Court’s funding sources for fiscal years 2017, 2018, and 2019.

Exhibit A – Drug Court Funding Sources for the Audit Period

Funding Source	FY 2019	FY 2018	FY 2017
TN Dept of Corrections Grant	\$ 927,384	\$ 951,316	\$ 968,628
TN Dept of Mental Health Grant	409,667	449,710	435,117
Governor’s Highway Safety Grant	56,677	56,807	55,754
Fines, Forfeitures, Offender Fees	310,968	365,827	355,497
Total	\$ 1,704,697	\$ 1,823,660	\$ 1,814,996

Source: Enterprise One Financial System

The Drug Court residential treatment program’s facility does not close. The Drug Court utilizes vendor invoicing, credit card purchases, and petty cash to acquire necessary supplies and services to run the facility. The majority of expenses were for food and supplies for the residents. Exhibit B shows the top ten vendors paid during the audit period, and Exhibit C shows the top ten vendors used for credit card purchases during the audit period.

Exhibit B – Top Ten Vendors Paid in Audit Period

Vendor Name	Amount
NASHVILLE DRUG CT SUPPORT FOUNDATION	\$ 401,400
INSTITUTIONAL WHOLESALE CO INC	121,254
BARGER FOODS LLC	115,583
SAMS CLUB DIRECT (ATLANTA GA)	87,431
AMERICAN PAPER & TWINE CO	74,119
REDWOOD TOXICOLOGY LABORATORY	55,348
A Z OFFICE RESOURCE INC	32,470
BOB BARKER CO INC	18,852
ECOLAB FOOD SAFETY SPECIALTIES	14,608
RICOH USA INC	14,192

Source: Enterprise One Financial System

Exhibit C – Top Ten Vendors on Credit Card Purchases in Audit Period

Vendor Name	Amount
NATIONAL ASSOCIATION OF DRUG COURT PROFESSIONALS	\$ 4,010
EMBASSY SUITES	3,167
MID TN ASSOCIATION FOR ALCOHOL & DRUG ABUSE COUNSESLORS	2,280
WALMART.COM	2,038
EZREGISTER	1,500
AMERICAN AIRLINES	1,364
ETS HISET REGISTRATION	1,360
LOWES	1,341
HOLIDAY INNS	1,338
STAYBRIDGE SUITES	1,183

Source: Fifth Third Bank

The residents in the Drug Court program participate in various activities such as community service, daily chores, gardening, and wood working as an important part of their rehabilitation process. To assist in purchasing the items necessary for these activities, the Drug Court program maintained a petty cash fund consisting of the cash collected from selling fire wood and wood crafts to patrons. The top ten petty cash purchases for the audit period by vendor name and by category are illustrated in Exhibits D and E respectively.

Exhibit D– Top Ten Petty Cash Vendors

Vendor Name	Amount
Walmart	\$ 9,164
Sam’s Club	2,072
Grainger	1,400
Home Depot	1,305
Hody’s Florist	1,111
Lowe’s	1,110
PetSmart	925
Hobby Lobby	854
USPS	829
State Farm	659

Exhibit E – Top Ten Petty Cash Categories

Category	Amount
Walmart Gift Card	\$ 5,400
Pet Supplies	3,504
Tools & Parts	3,121
Wood Supplies	2,301
Other Supplies	2,264
Restaurants & Food	2,205
Mattresses for Residents	1,400
Other Gift Cards	1,382
Food Items	1,351
Insurance Payment	1,338

Source: Drug Court Petty Cash Logs

Nashville Drug Court Support Foundation

The Nashville Drug Court Support Foundation (“the Foundation”) was incorporated as a 501(c)(3) organization in 1996 to solicit support for the Drug Court program. The Foundation provided services, funding, and other support to the Drug Court at no cost from 2004 to 2012. In 2012, the Foundation’s federal funding was exhausted. To enable the Foundation to keep providing the services Drug Court needed and to clearly define the relationship between the two, a renewable contract between the Drug Court and the Foundation was established. The contract defined the services the Foundation would provide and the related cost per hour. The Drug Court paid a total of \$401,400 to the Foundation during the audit period. Exhibit F shows the services the Foundation provided in terms of hours billed and associated cost during the audit period.

Exhibit F – Hours of Service and Cost Provided by the Foundation during Audit Period

Category of Services	Hours	Cost
Data & Reporting	2,747	\$206,025
Program Sustainability & Succession Planning & Research	466	34,950
Drug Court Related Research	394	29,550
Cost Savings Research & Reporting	306	22,950
Drug Court Long Term Residential Treatment Research	278	20,850
Grant Research, Reporting & Writing	234	17,550
DC4 Model Research, Education & Advocacy	174	13,050
Quality Assurance	168	12,600
State Funding Research	166	12,450

Strategic Planning Research & Evaluation Planning	158	11,850
Process Outcome Data Research & Evaluation	146	10,950
TARCP Research & Coordination	110	8,250
Administrative Office of the Courts Research	12	900
Total	5,359	*\$ 401,925

* Total cost represents the hours invoiced multiplied by the agreed upon rate of \$75 per hour. Actual billed amount for the period was \$401,400.

Source: Enterprise One Financial System Invoices

According to established terms between the Drug Court and the Foundation, Phase III residents must remit 11% of net pay to the Foundation. The Drug Court collected and forwarded residents' net salaries totaling \$29,177, \$21,734, and \$19,492 for fiscal years 2019, 2018, and 2017 respectively. These funds were in addition to the billings for services related to the contract.

The Foundation provides additional free goods and services to the Drug Court. These goods and services include partially funding salaries for three Drug Court employees, funding other resident activities and outings, providing food items, addressing clothing needs, and giving educational resources. Exhibit G shows the estimated value of the benefits that the Foundation has provided to the Drug Court during the audit period.

Exhibit G – Estimated Unbilled Benefits from the Foundation for Audit Period

Services & Goods Provided	Amount
Psychiatric Nurse Practitioner	\$ 64,800
Trauma/Grief Services	36,000
Referral & Screening Services	25,200
Enhanced Treatment Services	22,400
Medical Consultant	18,000
Drug Testing	16,688
2 nd Harvest Food Bank & Other Food Items	12,786
Drug Education & Books	7,350
Hygiene & Clothing	6,269
Transportation for Residents	6,000
Medicines & Services	4,992
Independent Evaluator Services	2,922
Resident Incentives	705
Transitional Assistance	640
TADCP Membership Dues & Booth Rental	310
Total	\$ 225,062

Source: Nashville Drug Court Support Foundation

OBJECTIVES AND CONCLUSIONS

1. *Are Drug Court offender cases monitored, tracked, and managed to ensure the mission of the Drug Court is achieved?*

Generally, yes. The Drug Court had established policies and controls in place to identify, create, monitor, track, and secure case files. Processes were put in place to ensure that resident movement was tracked and changes in status were approved, documented, and recorded. However, instances of non-compliance were noted during testing. Enforcement of client record and case processing procedures could be improved. (See Observation H.)

2. *Are fiscal resources properly accounted for and managed?*

Generally, yes. Controls were in place to ensure court fees, credit card purchases, resident spending, and payroll were accurate and complete. However, additional controls are necessary to ensure proper use of fuel cards, petty cash, and offender fees collected.

Supporting Objectives and Conclusions

- a. *Are court fees collected from Phase III residents recorded and accounted for accurately?*

Yes. The Drug Court had controls in place around the collection of Phase III residents' court fees. A sample of five offenders' Metropolitan Nashville Government court fee payment histories and a sample of five non-Davidson County offenders' court fee payment histories were reviewed, independently confirmed, and reconciled. No discrepancies between the payments applied and the payments forwarded were noted.

- b. *Are the Drug Court program offender fees collected from Phase III residents recorded, reconciled, and accounted for accurately?*

Unable to determine. Lack of controls around the Drug Court program offender fee collection process made the identification of deposited amounts and verification of the completeness of the collections impossible. Policies and procedures for receiving, depositing, and recording of Drug Court offender fees need to be revisited and rewritten. (See Observation A.)

- c. *Are invoiced purchases and credit card purchases approved and in support of the Drug Court program's mission?*

Generally, yes. Strong controls were over credit card purchases and invoiced payments to ensure compliance with the Metropolitan Nashville Government's Procurement Code. Opportunities exist to strengthen controls on local sales tax exemptions and supporting documentation retention. (See Observation D.)

- d. *Are fuel card purchases monitored and tracked?*

No. The use of a fuel card to refill Metropolitan Nashville Government issued vehicles was not monitored. There were no policies and procedures in place to review and track the usage of fuel card activities. (See Observation E.)

- e. *Are resident spending money and petty cash purchases recorded, reconciled, and accounted for accurately?*

Generally, yes. All money deposited into residents' spending accounts was recorded accurately on internal spreadsheets. The balance of each account was reconciled periodically. A review of all resident spending money accounts in the Drug Court safe indicated that the internally maintained balance matched the cash balance in the safe. However, receipt books used for spending money deposits were not prenumbered, logged, or tracked. (See Observation B.)

A review of petty cash revealed a lack of controls around resident wood work collections and petty cash purchases. Cash from wood work sales was used as petty cash instead of being deposited into the Metropolitan Nashville Government bank account. This left revenue untracked in the Metropolitan Nashville Government financial reporting system, and it created a petty cash fund that was not monitored and replenished by the Metropolitan Nashville Government Treasury. Petty cash was often used to purchase gift cards and other items in violation of the Metropolitan Nashville Government's Procurement Code. (See Observations B and C.)

- f. *Are payroll records accurate and complete?*

Generally, yes. There were controls in place to ensure employees were paid for time worked. Timesheets and timecards were reviewed and approved by supervisors prior to payroll. However, controls need to be strengthened around the part time employee timecard review process as discrepancies in adjustment approvals were noted. (See Observation F.)

- g. *Are leave time requests approved, recorded, and tracked?*

Generally, yes. Policies and procedures were in place to ensure employees' leave requests were approved and leave time was tracked. However, some discrepancies in leave balances were noted. Technology could be utilized to increase efficiency and minimize human error in the payroll and Human Resources process. (See Observation G.)

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (COSO)*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A – Resident Program Fee Collections

In order to remit 66% of each paycheck as required, Phase III residents obtain a money order for each required payee. The money orders are then placed in an administrative mailbox within the Drug Court for recording and delivery to each area. One employee opened the locked mailbox periodically and stored the money orders in the safe. There was no log of date and amount of money orders received in the mail. The same employee recorded the money order payments into individual resident accounts on a spreadsheet. The same employee then deposited the money order made to the Drug Court program (33% of net pay) into the Metropolitan Nashville Government's bank account. The deposit slips only showed the total amount of what was deposited into the bank for the whole period. No other supporting documents with individual items listed were attached with the deposit slip. It could not be determined if all the money orders received in the mail made it to the bank.

Additionally, the employee set aside the money orders made out to the Nashville Drug Court Support Foundation (11% of net pay) for a staff from the Foundation to pick them up. When staff from the Foundation came to the Drug Court to pick up the money orders, there was no sign off to acknowledge the transfer of custody of the asset. The Foundation was unable to provide a total amount of money orders received from the Drug Court during the audit period. Therefore, whether the Foundation received the correct amount of money orders was undeterminable.

Lack of controls over cash collections increases the risk of misappropriation of funds. Without the establishment of chain of custody, separating liability is almost impossible. Establishing procedures in the revenue collection and asset transfer process helps to minimize those risks.

Criteria:

- Metropolitan Nashville Treasury Policy #9 – Cash Deposits
- *COSO*, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Assessed Risk Rating:

High

Recommendations for Management of the Drug Court to:

1. Deposit the money orders received within one business day and remove the Metropolitan Nashville Government's bank account number from the endorsement.
2. Rewrite the Client Management Fee part of the Administrative Policies and Procedures to require that two employees open the mail and log the money orders received.
3. Add a sign-off requirement for the transfer of assets within the resident program fee collection process and other applicable processes.

Observation B – Receipts, Wood Work Revenues, and Inventory

Receipts were routinely issued for two monetary events in the Drug Court program. One was when residents' family members deposited spending money into resident spending accounts. The other was when wood works made by the residents were purchased by patrons. In both occasions, the receipt books were not logged or tracked. The receipt books used for resident spending money deposits were not prenumbered. Not tracking receipts makes it difficult to reconcile between the money received and the transaction records. It also increases the risk of fund misplacement.

Additionally, there was no inventory taken of the wood works made by the residents. An employee working in the community service building received money from patrons buying the wood works and then issued a receipt. No reconciliation ever took place between the wood works money collected and the transactions recorded into the petty cash log. Lack of oversight in both inventory and revenue generated from it increases the risk of misappropriation of assets.

Keeping track of receipts issued and wood work inventory help to ensure funds received from various sources are accounted for correctly. Tracking of wood work projects would also help to plan for wood materials and supplies purchases.

Assessed Risk Rating:

High

Criteria:

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Drug Court to:

1. Ensure prenumbered receipt books are used, tracked, and reviewed in the cash collections process.
2. Establish a wood works inventory system to ensure the costs and revenues are tracked.

Observation C – Petty Cash Purchases and Wood Works Fund

Instead of depositing the wood works revenues collected into the Metropolitan Nashville Government bank account, the Drug Court used the money for program related purchases. A petty cash log recorded the transferred amounts of wood works money to the Drug Court's petty cash fund.

Funds were used to purchase gift cards, supplies for residents, food items, insurance, and other items. Purchases more than the \$75 petty cash threshold were made from this fund on a frequent basis. A total of \$5,400 in Walmart gift cards were bought during the audit period.

Excluding part of income and expense from the financial reporting system increases the risk of financial fraud and mismanagement. Complete and accurate financial information helps management decision making and decreases this risk.

Assessed Risk Rating:

High

Criteria:

- Metropolitan Nashville Treasury Policy #9 – Cash Deposits
- Metropolitan Nashville Treasury Policy #16 – Establishing Petty Cash Funds
- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Drug Court to:

1. Establish policies and procedures for wood works revenue collections, deposits into the Metropolitan Nashville Government’s bank account, and recording transactions in the Metropolitan Nashville Government’s financial system.
2. Utilize Metropolitan Nashville Government credit cards for goods and services unavailable from authorized vendors.
3. Work with the Metropolitan Nashville Government’s Treasurer and Chief Accountant to establish a petty cash fund based on the unique situation of the Drug Court.

Observation D – Local Sales Tax Exemption and Record Retention

Local sales tax was not always excluded for both credit card purchases and invoiced payments to vendors. Additionally, not all supporting purchasing documents were retained in the audit period. Out of a review of 35 credit card transactions, 2 transactions (6 percent) did not have a receipt, 2 transactions (6 percent) did not have an itemized receipt, and 4 transactions (11 percent) paid local sales tax totaling \$35.83.

A sample of 25 payments to Metropolitan Nashville Government vendors were also selected and reviewed. Of the payments selected, 2 payments (8 percent) included local sales tax totaling \$10.77. One invoice containing sales tax also did not have a detailed breakdown of charges. Lack of oversight on detailed receipt requirements increases the risk of inappropriate spending and unnecessary waste of government funds.

Assessed Risk Rating:

Medium

Criteria:

- Metropolitan Nashville Treasury Policy #19 – Credit Card
- Metropolitan Nashville General Record Schedule
- COSO, Control Activities — Principle 10 — The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Drug Court to:

1. Establish a retention schedule and maintain supporting purchasing documentation for the required period.
2. Ensure employees provide the local sales tax exemption and are instructed not to pay local sales tax on purchases.

Observation E – Fuel Card Monitoring

The Office of Fleet Management’s Comprehensive Administrative Order No. 03-09 requires departments to review and determine appropriateness of fuel card transactions on a regular basis. The Drug Court performed no periodical review of fuel card activities for the use of Metropolitan Nashville Government issued vehicles. Neither management nor the employee who uses the fuel card has set up access to enable monitoring of fuel card purchases. An employee in the State Trial Court administration that is responsible for fuel card activities also did not have access to review the purchases.

Unmonitored fuel card activities increase the risk of inappropriate usage on unauthorized vehicles. Additionally, fraudulent charges made by third parties may not be detected quickly. Periodical review of the fuel card transactions decreases those risks.

Assessed Risk Rating:

Medium

Criteria:

- Office of Fleet Management – Comprehensive Administrative Order No. 03-09 Revision No. 01, Section 9: Monitoring
- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Drug Court to:

1. Establish policies and procedures for a designated Agency Fleet Coordinator to be responsible for randomly monitoring fuel key and fuel card usage through the FuelMaster System.
2. Ensure the Fleet Coordinator and applicable employees obtain FuelMaster account access for monitoring fuel card activities.

Observation F – Part Time Employee Timecard Approval

Changes made to timecards were not always signed or initialed by the employee’s supervisor. Some part time employees’ timecards could not be located for the payroll period reviewed. Out of 8 pay periods and 118 timecards reviewed, changes were made on 27 timecards. Of the altered timecards, 12 of those changes (44 percent) were without a supervisor’s signature or initials, 6 timecards (5 percent) could not be located, and 3 pay periods had calculation errors resulting in a total under payment of \$117.57 to 21 employees. The calculation error was due to the incorrect conversion from time to decimal. Lack of supervisor review of time cards increases the risk of inadvertent or intentional time reporting errors.

Assessed Risk Rating:

Medium

Criteria:

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Drug Court to:

1. Ensure any timecard changes are reviewed and signed by a supervisor before being processed for payroll.
2. Refine procedures in the Administrative Guide to add detailed instructions on payroll processing for both part-time and full-time employees.

Observation G – Leave Time Tracking

Employee leave time requests, compensatory time accruals, and leave time balances per internal spreadsheets did not always agree to the employee’s hard-copy file. A sample of three employees had their vacation balances, sick balances, and compensatory time balances reviewed. Of the three sampled employees, two employees (67 percent) had vacation balance discrepancies, one employee (33 percent) had a sick balance discrepancy, and two employees (67 percent) had compensatory time balance discrepancies.

Manually keeping track of leave time increases the risk of human error. Additionally, maintaining a separate employee file for the same purpose duplicates the workload. Leveraging technology in payroll and leave time processing increases efficiency and minimizes human error.

Assessed Risk Rating:

Medium

Criteria:

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendation for management of the Drug Court to:

Explore the possibility of leveraging technology in payroll and leave time management.

Observation H – Client Records Management Procedures

The Davidson County Drug Court Program Administrative Guide established procedures to maintain and supervise client records. Hard copies and electronic records are to be created for each client status - admission, treatment received, during treatment, and discharge.

A sample of 25 case files were reviewed. Of the 25 case files, 2 files (8 percent) did not have the assessment result, 1 file (4 percent) did not have the signed copy of the treatment plan and the requirement of completion for each phase, and 2 files (8 percent) did not have the Drug Court Agreement signed by both the applicant and the judge.

Missing or misplaced client records increases the risk of client mismanagement and increases the Drug Court’s potential liability. Enforcing the policies and procedures in the client record management process decreases this risk.

Criteria:

- Davidson County Drug Court Program Administrative Policies and Procedures 3.0, “Client Record – General Policies”

- Metropolitan Nashville Record Disposition Authorization Page 136: State Trial Court – Case Management Files – RDA#765
- COSO, Control Activities–Principle 12–The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

Assessed Risk Rating:

Medium

Recommendation for management of the Drug Court to:

Reevaluate client record procedures and communicate to case managers the client record requirements to ensure the policy is enforced.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

METHODOLOGY

To accomplish our audit objectives, we performed the following steps:

- Studied applicable laws and regulations.
- Interviewed key personnel within the Drug Court.
- Evaluated internal controls currently in place.
- Performed analytics on payments and the petty cash fund.
- Reviewed sample selections to determine the effectiveness of internal controls.
- Considered risk of fraud, waste, and abuse.

AUDIT TEAM

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JOE P. BINKLEY, JR., JUDGE
FIFTH CIRCUIT COURT

February 20, 2020

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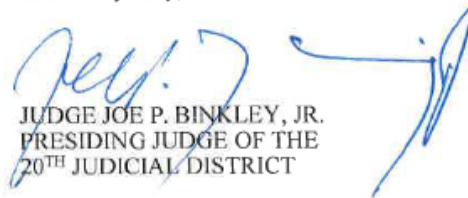
Re: Audit of the Davidson County Drug Court (DC4)

Dear Mr. Walker:

This letter acknowledges the State Trial Courts receipt of the interim audit report for the above referenced project. We have reviewed your observations and are in the process of implementing your recommendations as indicated in the Management Response.

We appreciate the thoroughness and methodology used in the audit and look forward to completing the implementation of your recommendations.

Yours very truly,



JUDGE JOE P. BINKLEY, JR.
PRESIDING JUDGE OF THE
20TH JUDICIAL DISTRICT

JPBJR/mrg

cc: Lauren Riley, CPA, CIA, ACDA
Principal Internal Auditor
Office of Internal Audit

Trial Court Administrator Tim Townsend

Judge Jennifer L. Smith
Criminal Court, Division IV

APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches and we encourage them to do so when providing their response to our recommendations.

	Recommendations	Concurrence and Action Plan	Proposed Completion Date
<i>Recommendations for management of the Drug Court to:</i>			
H	A.1 Deposit the money orders received within one business day and remove the Metropolitan Nashville Government's bank account number from the endorsement.	Accept - Deposits will be made within 24 hours of receipt, and we will no longer place the Metropolitan Nashville Government's bank account number on the deposited money orders.	10/01/2019
H	A.2 Rewrite the Client Management Fee part of the Administrative Policies and Procedures to require that two employees open the mail and log the money orders received.	Accept - The client management fee policy will be revised to reflect that two employees shall open the mail and verifying all funds upon receipt.	10/01/2019
H	A.3 Add a sign-off requirement for the transfer of assets within the resident program fee collection process and other applicable processes.	Accept - A detailed ledger of all monies exchanged will be signed by both parties at the time of the transfer.	10/01/2019
H	B.1 Ensure prenumbered receipt books are used, tracked, and reviewed in the cash collections process.	Accept - Unnumbered receipt books will no longer be used. A receipt book ledger has been created which documents the receipt books' numbers, owners, and dates distributed/returned.	10/01/2019
H	B.2 Establish a wood works inventory system to ensure the costs and revenues are tracked.	Accept - An inventory system of all woodworks will be tracked to ensure cost and revenues are accurately recorded.	11/14/2019
H	C.1 Establish policies and procedures for wood works revenue collections, deposits into the Metropolitan Nashville Government's bank account, and recording transactions in the Metropolitan Nashville Government's financial system.	Accept - Policies and procedures will be established for monies accumulated by the sale of woodwork or other vocational activities and transactions will be recorded and deposited in the Metropolitan Nashville Government's financial system.	11/21/2019
H	C.2 Utilize Metropolitan Nashville Government credit cards for goods and services unavailable from authorized vendors.	Accept - Metro credit card will be used when goods and services are unavailable from other authorized vendors.	07/01/2019
H	C.3 Work with the Metropolitan Nashville Government's Treasurer and Chief Accountant to establish a petty cash fund based on the unique situation of the Drug Court.	Accept - Discussions have been made to reinstate a petty cash fund under Metro guidelines.	01/31/2020

APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

	Recommendations	Concurrence and Action Plan	Proposed Completion Date
<i>Recommendations for management of the Drug Court to:</i>			
M	D.1 Establish a retention schedule and maintain supporting purchasing documentation for the required period.	Accept - The State Trial Court Drug Court will follow Metro Records Management's policy on purchasing documentation retention period.	10/25/2019
M	D.2 Ensure employees provide the local sales tax exemption and are instructed not to pay local sales tax on purchases.	Accept - Tax exemption forms will be given to designated staff and distributed to vendors as required. Tax exemption cards for non-vendors will be obtained.	09/25/2019
M	E.1 Establish policies and procedures for a designated Agency Fleet Coordinator to be responsible for randomly monitoring fuel key and fuel card usage through the FuelMaster System.	Accept - We now have access to WEX to monitor all vehicles' mileage and fuel purchases. Mileage forms in vehicles have been amended to include refueling (eff. 12/01/2019).	12/05/2019
M	E.2 Ensure the Fleet Coordinator and applicable employees obtain FuelMaster account access for monitoring fuel card activities.	Accept - We now have access to WEX, vehicle mileage and fuel purchases will be monitored.	12/05/2019
M	F.1 Ensure any timecard changes are reviewed and signed by a supervisor before being processed for payroll.	Accept - Supervisors will sign all timecards for part-time employees.	08/09/2019
M	F.2 Refine procedures in the Administrative Guide to add detailed instructions on payroll processing for both part-time and full-time employees.	Accept - Revisions to policies and procedures will be made by designated staff regarding instructions for payroll processing for all employees.	01/31/2020
M	G.1 Explore the possibility of leveraging technology in payroll and leave time management.	Accept - We will research affordable software in the area of payroll and leave time management.	01/01/2020
M	H.1 Reevaluate client record procedures and communicate to case managers the client record requirements to ensure the policy is enforced.	Accept - Records management procedures for retention will be followed. Files will be internally audited for accuracy and completion.	10/25/2019

APPENDIX B – ASSESSED RISK RANKING

Observations identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance or reputational impact the issue identified has on the Metropolitan Nashville Government. Items deemed “Low Risk” will be considered “Emerging Issues” in the final report and do not require a management response and corrective action plan.

Rating	Financial	Internal Controls	Compliance	Public
HIGH	Large financial impact >\$25,000 Remiss in responsibilities of being a custodian of the public trust	Missing, or inadequate key internal controls	Noncompliance with applicable Federal, state, and local laws, or Metro Nashville Government policies	High probability for negative public trust perception
MEDIUM	Moderate financial impact \$25,000 to \$10,000	Partial controls Not adequate to identify noncompliance or misappropriation timely	Inconsistent compliance with Federal, state, and local laws, or Metro Nashville Government policies	Potential for negative public trust perception
LOW/ Emerging Issues	Low financial impact <\$10,000	Internal controls in place but not consistently efficient or effective Implementing / enhancing controls could prevent future problems	Generally complies with Federal, state, and local laws, or Metro Nashville Government policies, but some minor discrepancies exist	Low probability for negative public trust perception
Efficiency Opportunity	An efficiency opportunity is where controls are functioning as intended; however, a modification would make the process more efficient			